

## ***A MESSAGE FROM THE KING COUNTY ASSESSOR – SCOTT NOBLE***

2001 has been a year where everything changed. The tragic events of September 11th and the February earthquake underscored the fact we are all in this together. We also have learned we do have a responsibility to our fellow citizens. One columnist opined we need to make sure our public institutions are funded so they can continue to create security, hope and opportunity for all of us and for all our neighbors across our state and across our country. Can we do this? Maybe, maybe not.

On November 6, 2001, Washington State voters overwhelmingly passed Initiative 747, limiting non-voted property tax increases to one percent. There were many reasons it passed, but one variable is often overlooked. An October 29, 1994 editorial in The Chicago Tribune said it best: “A self-fulfilling prophecy on taxes – what tax-grabbing districts forget, or selfishly choose to ignore, is that their actions increase the likelihood that what they fear most (property tax restrictions) will come to pass”. Another reason may be our fragmented governance structure. The Puget Sound area is just as fragmented as the Chicago area, perhaps making this editorial a mirror of our current experience.

Historically, the property tax is seen as the most feasible way to finance local government. No other tax could finance such a fragmented, complicated system of overlaps. The six county Puget Sound metropolitan area has one taxing district for every 6,300 people, similar to the six county Chicago metropolitan area. Our tax district per capita ratio, however, is five times worse than Greater Los Angeles.

Our region is the 48<sup>th</sup> largest economy in the world, and our local government finance system supporting it will fundamentally change due to Initiative 747. The initiative basically minimizes reliance on property taxes, and in doing so will increase reliance on site-based sales taxes. This increased reliance is on top of Washington State’s ranking as #1 in the United States for sales tax dependence. This change of reliance has happened before, twenty years ago in California. California is another mirror, worth looking at to compare the consequences it reflects. Both states settled a stalemated property tax relief political debate by popular endorsement. Both states may share similar experiences.

What happened in California when the local government finance system was changed? An increased degree of competition among governments evolved, and new incorporations and secession movements appeared to seek competitive advantage in a “fend for yourself” environment. The situation over the years, gave birth to new terms and descriptions such as: an increasingly unmanageable and incomprehensible governance structure – dysfunctional – cash box zoning – beggar thy neighbor game – intergovernmental cannibalism. Ultimately, a “fiscalized” landscape emerged.

Two main components were central to this landscape; more players and a focus on retailing. The intent of property tax caps may have been to reduce the size of government by reducing the amount of revenue available. Twenty years ago in California, what could not be predicted was instead of reducing the size of government, the broader reliance on sales taxes bred new incorporations and secessions, which increased the number and complexity of governments. This was the ultimate irony of property tax caps: seeking to reduce the size of government by creating more. The focus on retailing became widely known as the “fiscalization of land use”.

Restricting property taxes boosted the strategic importance of sales taxes, rewarding cities for developing retail land uses and punishing cities for developing affordable and middle-income housing. In addition, subsidies and competition to get “tax winners” made it evident everywhere a growing share of any particular “tax take” was being paid by a shrinking group of the population. A vivid example of the focus on retailing is a ten-mile stretch of Highway 101 through the California cities of Ventura, Oxnard and Camarillo. The stretch is dubbed “Sales Tax Canyon” and has been described as a bleak, relentless, lifeless zone designed solely to empty passing wallets – a cash register community. Residents came to realize a blunt hammer could often strike even those who forged it. Further, fragmentation momentum accelerated on down to the neighborhoods, where today one in six people live in homes of “private communities”. Private security guards in California outnumber police officers by four to one.

The “fiscalization of land use” expectation of encouraging urban sprawl was recently tested statistically in an Economist’s Perspective Report from the California Senate Office of Research. The finding was affirmative – the change in the local government finance system contributed to land-use decisions that aggravated urban sprawl. The results of this “fiscalization” test found excessive driving to non-central places, loss of downtown vitality, and greater congestion on metropolitan area streets and highways. Ironically, the structural problems of the California system have undermined voters’ belief that change would improve anything. What? Give more money to something that failed? Already, this sounds familiar.



To many citizens, not only are we all in this together, we are all one government. We often do not distinguish among levels of government and don't care who is responsible for what service. We just want the job done. On the other hand, we love government in the particular and share the human obsession for local control. With many a paradox and contradiction, there are no easy answers. So, are we headed down the same road as California? Some would say we are already well on our way. One thing is certain; acts that change the property tax system will change the approaches, behaviors, and structures of local governments. What the changes will bring to our region is not yet known, but the California story is a cautionary tale.

What is urgently needed is a dramatic debate about our structuring of local government, how it is financed and how it operates. For many years, I have emphasized the need for uniformity, consistency, cost sharing and the harmonization of public services policy. We need truth-in-taxation policies and a review of exemptions. We are all in this together. We must make the tough decisions and lead on the tough issues. Turn these words and what we have learned into action and progress, with the recognition that freedom always asks for more than it gives.